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C O N F I D E N T I A L ANKARA 000528

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STATE FOR E, EB/CBED, EB/ESC, EUR/SE
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E.O. 12958: DECL: 01/22/2013

TAGS: [ENRG](#) [ECON](#) [EPET](#) [GG](#) [TU](#) [KZ](#) [ETTC](#)

SUBJECT: ENERGY MINISTER GULER ON RUSSIAN GAS, BTC

REF: A) ANKARA 416 B) ANKARA 8018 '02

Classified by Ambassador Robert Pearson, Reason 1.5 (b,d)

1. (C) Summary. Energy Minister Guler told Ambassador January 15 that one of his top priorities was to renegotiate Turkey's expensive natural gas contracts with Russia. He asked if the U.S. would help him strengthen his negotiating hand vis-a-vis the Russians by tolerating -- or pretending to tolerate -- Turkey's gas purchases from other sources (i.e. Iran). Guler agreed that the success of Shah Deniz was critical to the viability of BTC, adding that Tayyip Erdogan and Azerbaijan President Aliyev had agreed to expedite BTC construction. End Summary.

2. (C) Energy Minister Guler told Ambassador January 15 that one of his top priorities was to renegotiate Turkey's natural gas contracts with Russia. (Note: BOTAS currently purchases gas from Russia through three different contracts, Russia 1 and 2, and Blue Stream.) Guler said it was his understanding that other countries, such as Italy and Germany, were buying the same gas from Russia at a much better rate. As reported ref b, BOTAS General Manager Bildaci told us previously that Turkey is paying approximately USD 130-134 per thousand cubic meters for Russian gas. For comparison, according to Bildaci, DEPA is paying USD 119 per thousand cubic meters, and Shah Deniz gas will cost Turkey about USD 95 per thousand cubic meters.

3. (C) Guler said he was concerned that the expensive Russian gas contracts could make it difficult for Turkey to export gas to Europe. Russian gas transferred through Turkey would be too expensive for Europeans -- this was why Turkey needed Shah Deniz. Guler said it would help strengthen his negotiating hand vis-a-vis the Russians if the U.S. would tolerate -- or pretend to tolerate -- Turkey's gas purchases from other sources. (Note: Guler was not explicit, but we assume he was referring to Iran). He asked for the Ambassador's help on this issue.

4. (C) Ambassador Pearson noted the U.S. and Turkey's successful cooperation on regional energy issues, and emphasized that the success of the Shah Deniz pipeline was critical to the viability of BTC. Guler agreed. On BTC, Guler noted that, during AK Party Leader Erdogan's recent visit to Baku, he and Azerbaijan President Aliyev had agreed to expedite the project. Erdogan had then instructed Guler to try to accelerate work on BTC, even though it would be more expensive for Turkey. Guler said he had a "sense" that BP was preparing to announce a delay on BTC due to a potential Iraq operation, but said he had nothing concrete to support this feeling. Guler reported that he and Erdogan had good meetings in Kazakhstan, where government officials had confirmed to them that Kazakhstan would participate in the Aktau-Baku-Thilisi-Ceyhan pipeline. Guler's comments on domestic energy issues are reported Ref A.

5. (C) Comment: We will reiterate to the Ministry of Energy the U.S. policy on the import of Iranian gas and ILSA. End comment.
PEARSON